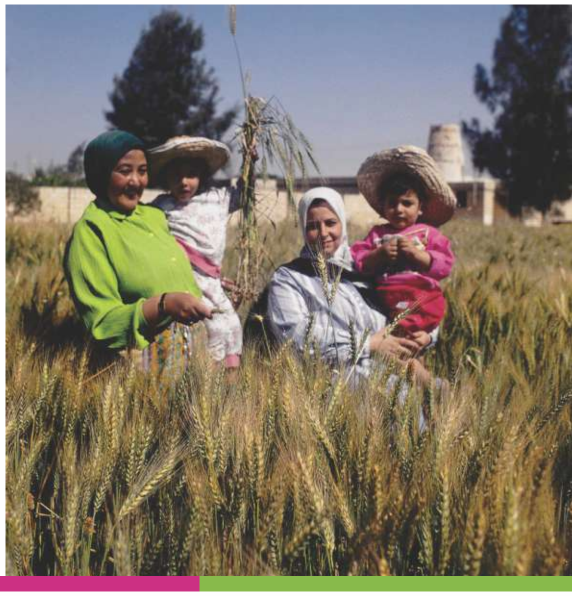
Making Cents International

Rural Youth Economic Empowerment Program 2013-2016




Findings from Five Youth-Inclusive Rural Finance Pilot Projects


IFAD
Investing in rural people

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IFAD RURAL YOUTH ECONOMIC EMPOWERMENT PROGRAM (RYEEP) 2013-2016

Findings from Five Youth-Inclusive Rural Finance Pilot Projects

Making Cents
INTERNATIONAL

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We would also like to dedicate this publication to David James-Wilson, Making Cents International's Senior Technical Advisor, treasured colleague, and RYEEP team member, who passed away in January 2015.

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CONTENTS

ACRONYMS

ABB: Al Barid Bank
AMB: Al Amal Bank
BDS: Business development services
FS: Financial Services
FSP: Financial service provider
IFAD: International Fund for Agricultural Development
MFI: Microfinance institution
NFS: Non-financial services
NGO: Non-governmental organization
RYEEP: Rural Youth Economic Empowerment Program
TAG: Tawfir al Ghad
YFS: Youth-inclusive financial service
YSG: Youth savings group


MOROCCO
TUNISIA
EGYPT
YEMEN

1- EXECUTIVE SUMMARY

Rural youth in developing countries make up a large and vulnerable group. Globally, three quarters of the poor live in rural areas, and about one-half of this population is young people. This young and growing population confronts a number of challenges, including poor quality of education, lack of basic infrastructure, lack of access to or control of sufficient land for farming, and, for girls in particular, more traditional cultural norms, which severely hinder their ability to build sustainable livelihoods. In addition, accessing the financial services they need to support economic opportunities is more challenging than in urban areas, due to physical distances, the lack of financial products appropriate to rural youth circumstances, limited knowledge and experience with financial services, and poor protection measures. These challenges feed perceptions from rural youth that financial services are not accessible to them, and from providers that rural youth are not bankable.

Yet offering young people in rural areas the right mix of appropriate and cost-effective financial and non-financial services is essential if rural youth are to improve their livelihoods and create economic opportunities that do not require migrating to urban centers or other countries. Although development agencies have experimented with the provision of financial services to youth in general over the past decade, most experimentation has focused on urban areas, savings services, and financial education. Much remains to be learned on how to develop, deliver, and scale financial services in rural areas.

The Rural Youth Economic Empowerment Program (RYEEP) was developed to respond to this need. Funded by a three-year grant from the International Fund for Agricultural Development (IFAD), the program sought to increase employment and self-employment of young people aged 15-35 in Egypt, Yemen, Morocco and Tunisia, and was implemented by Making Cents International, in partnership with Silatech. RYEEP provided capacity building and technical assistance to local financial service providers (FSP) to pilot five youth-inclusive financial (YFS) and non-financial service (NFS) delivery models to rural youth, and in the process, increase our understanding of rural youth, their demand for financial and non-financial services, and how they can be served sustainably and on a large scale:

Figure 1: IFAD RYEEP: Four Countries, Five Models

COUNTRY	LOCAL PARTNER (Institutional type)	FINANCIAL INSTRUMENT	NON-FINANCIAL INSTRUMENT
EGYPT	Plan Egypt (NGO)	Savings & Credit Groups	Entrepreneurship and life skills training offered through Savings Groups
YEMEN	Al Amal Bank (Microfinance Bank)	Enterprise Lending (for existing businesses)	Financial literacy, entrepreneurship and technical training offered by NGO partners
MOROCCO	Al Barid Bank (Postal Bank)	Individual Savings Product	Financial literacy taining offered through mass media and face-to-face training
TUNISIA	Microcred (Microfinance Company)	Enterprise Lending (for start-up businesses	Entrepreneurship and business management training offered by NGO partners
TUNISIA	Pro-Invest (Private Company)	Value Chain Finance (Trade Credit)	Value Chain Development, entrepreneurship and financial literacy offered through SMS

By 2016, despite a relatively short implementation time of approximately two years for most projects, RYEEP demonstration pilots achieved remarkable outreach, providing savings or credit services to approximately 20,543 youth, and non-financial supportive services to 14,252 youth.

[1]Bennell, Paul. Investing in the Future: Creating Opportunities for Young Rural People. Publication. IFAD, Dec. 2010, pg. 1.

Key Findings by Research Topic

Through the market research and product delivery process, these pilots also generated knowledge across five important research topics that confirmed, deepened, and in some cases contradicted earlier reporting on this subject by IFAD and other YFS projects. A summary of these findings, organized by RYEEP research topic, includes:

1. Adapting and Developing Effective Financial Products for Rural Youth

Experience during the pilots demonstrated that, a small, but important segment of rural youth - the more educated and economically active - is similar in their demand for financial services to their urban counterparts. This similarity meant that a part of the rural youth market could be served without significantly adapting the basic terms and conditions of youth-inclusive products designed for urban environments. Pilots also demonstrated that this segment of rural youth saves on average as much as urban youth and also appears to be no more a credit risk than urban youth, or their older rural counterparts. In terms of age, both older (aged 25-35) and younger (aged 18-24) youth cohorts demonstrated the ability to utilize savings and credit products, though the younger cohort demonstrated a greater effective demand for savings products.

Yet deepening outreach beyond the more educated and active segment was difficult due to both youth- and rural-specific challenges. On the youth side, lower education levels, a lack of trust in urban institutions, and cultural differences required FSPs to adjust marketing tactics and delivery channels, recruit trusted local partners, and maintain costly face-to-face interactions. At the same time, poor rural infrastructure and dispersed populations made these tactics more expensive, while FSPs' lack of products aimed at agriculture and livestock limited their ability to fully penetrate rural markets. This was especially true when it came to start-up lending, which was hampered both by lower experience and educational levels, as well as the higher costs of loan provision. As a result, while FSPs were able to make inroads with the rural youth population, it was either shallow, or hard to sustain if not accompanied with significant gains in efficiency.

2. Determining the Appropriate Level and Delivery System for Supportive Non-Financial Services

While pilot partners could initially begin to extend financial services outreach into rural areas without significant changes to their products, non-financial services needed to be adjusted from the outset. Lower education levels, limited internet access, and more traditional cultures among the majority of youth in rural areas required partners to simplify materials; focus on foundational skills; identify appropriate locations, times, and contexts; and deliver information face to face. FSPs had to rely on technical and local partners both to develop training material and ensure local reach, yet weak local training capacity made outsourcing the whole process challenging. Except in the case of savings groups, where the group promoter already met weekly with clients and thus was able to offer training at no extra cost, developing and providing non-financial services was relatively expensive and in most cases could not be offered by internal staff or cross-subsidized from the larger financial portfolio, a finding at odds with other IFAD programs.

On the positive side, partners learned that (i) not all rural youth needed non-financial services, (ii) short, focused materials and coaching methods were effective in raising financial literacy and bolstering confidence, (iii) focusing on foundational life skills develops rural youth's entrepreneurial behavior, (iv) SMS offered promised as a means to reinforce training, and (v) rural youth valued training at least as much as financial services. It was also apparent that training was most effective when offered in conjunction with the financial service, so that it could be acted upon immediately. Yet the link between financial training and the uptake of specific financial services remains unclear in the short term, and developing cost effective models remains challenging.

3. Linking Products or Institutions to Facilitate Movement from Informal to Formal Financial Services

FSP partners recognized that the financial services needs of rural youth evolved over time, as youth increased in age and experience. However, explicit efforts among different organizations to facilitate movement from savings to credit, or from informal to formal financial services were difficult. The challenges of sharing information, aligning roles, and negotiating partnerships means that linkage efforts will be hard to achieve between disparate organizations unless a strong business incentive exists to make them successful, such as can be found in tri-partite agreements. Alternatively, promise was demonstrated by vertically integrated models where a single full-service institution can progress youth through more complex services as their demands evolve.

4. Using Technology to Lower Costs and Provide Youth with Alternative Forms of Finance

Considering the higher costs associated with rural youth financial service provision, partners attempted to leverage technology to deliver financial and non-financial services more efficiently and extend their reach. Although partners successfully improved their ability to provide financial services in rural areas through these means, technology could only support - rather than replace - face-to-face interactions in rural areas. Lower education levels and limited internet connectivity also required more traditional in-person transmission of training. Nonetheless, experience under RYEEP indicates that emerging technologies, especially those delivered via mobile phone, have potential to disrupt existing business practices to the benefit of rural youth.

5. Designing Innovative Approaches for Scaling Products in Rural Environments

The RYEEP experience indicated that leveraging existing infrastructure and focusing on simple products are the surest way to scale rural youth financial inclusion. The three pilots that served the largest number of rural youth were able to do so by leveraging an existing network of rural bank branches (ABB), currency exchange and money transfer agents (AMB), or NGOs (Plan Egypt). They also focused on simple youth-inclusive savings or credit products appropriate for urban or rural youth. While these services may not completely meet the complex needs of rural youth, they are a starting point from which further innovation can be launched. Rural outreach and appropriate financial products, however, still appear to struggle to attract marginalized rural youth with little or no financial resources, thus building the necessary scale to ensure financial sustainability may requires a broader rural strategy.

Recommendations and Areas of Further Inquiry

Based on these findings, we propose the following recommendations and areas of further inquiry.

Serving rural youth effectively will require both youth and rural adaptations. FSPs were able to penetrate rural youth markets deeply at a high cost, or shallowly at a relatively lower cost. Deepening outreach sustainably will thus require adaptations in both respects.

Integrate YFS into rural strategies. RYEEP pilot success with the delivery of rural youth financial services indicates that rural youth are a viable market. However, they are too expensive to merit a sole focus and should instead be targeted as one part of an overall rural expansion strategy.

Different approaches for different age groups. Rural youth are a heterogenous group; each age and gender segment should be understood and targeted appropriately with differentiated savings and credit products.

Target NFS carefully and engage partners to meet remaining needs. Pilots indicated that non-financial services can increase knowledge and change behavior when targeted carefully, but that strong partners are few, and full cost recovery is difficult. In the short-term, FSPs should respond by considering the minimum amount of training necessary to achieve their goals and covering those costs through cross-subsidization and/or donor subsidies. In the longer term, a mixed strategy of public- and private-sector training provision should be considered to build youth's foundational, financial literacy, and entrepreneurship skills.

Subsidize start-ups. Lending to expand older (ages 25-35) rural youth's existing microenterprises is a relatively easy product that can be delivered profitably as part of an overall rural portfolio. However, helping youth to start up micro or small enterprises through savings groups or specialized loan products requires more support and often smaller loans than are economically viable for providers. In response, subsidies, guarantees and other innovations around credit risk assessments should be considered.

Engage new partners and innovative technologies. While project time was too short to completely validate one partner's supply chain solution, this value chain finance approach showed great promise in the provision of trade credit and value-added services to rural retailers. Financing similar ventures may support rural youth financial inclusion as effectively as financial service providers themselves.

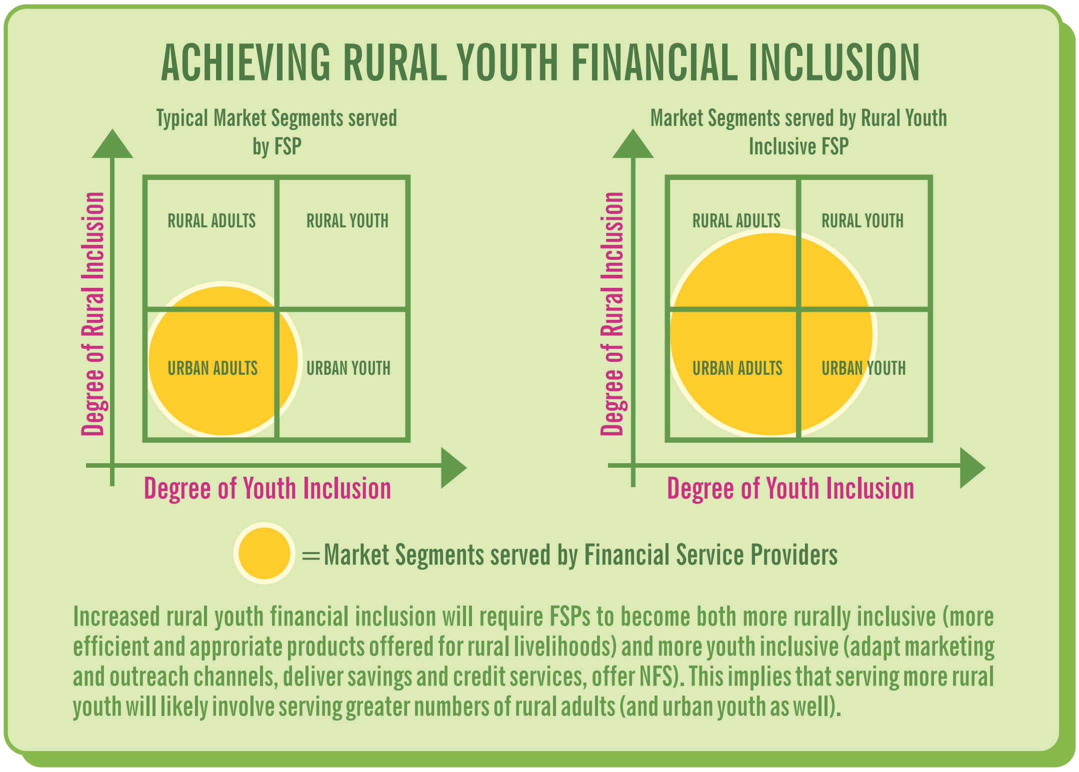
These findings can assist FSPs and rural development donors consider the best means for improving rural youth financial service access and livelihoods. The pilot programs should also continue to be monitored, as their experiences going forth will further enrich these initial findings.

To learn more about the Pilot activities, please review the individual Pilot case studies.

Case Study 1: Youth Savings Groups in Egypt
Case Study 2: Enterprise Loans for Rural Youth in Yemen
Case Study 3: "Savings for the Future" in Morocco
Case Study 4: Youth-Inclusive Value Chain Finance in Tunisia
Case Study 5: Start-Up Lending for Youth in Tunisia

These learning products focus on the specific experiences of the local partners in designing and delivering financial services for rural youth. All publications can be found on the IFAD, Making Cents, and Silatech learning platforms.[2]

Figure 2: Pathways to Achieving Rural Youth Financial Inclusion



[2]IFAD: www.ifad.org; Silatech: www.silatech.com; Making Cents: www.youtheconomicopportunities.org

CASE STUDY - EGYPT

NAME: Yasmin and Safia
AGE: 17 and 18

Yasmin and Safia are two sisters aged 17 and 18 respectively. They live in one of the most marginalized villages in Assuit, Upper Egypt. Their family consists of 11 members and due to health issues, their father cannot work. For years, the family depended only on the income their mother generated from manufacturing handmade baskets. However, this income was barely covering the family's basic needs.

They joined Plan Egypt's "Enterprise Your Life" program on their encouragement of their family - "Our mother encouraged us to join the youth savings group. She got to know about it from one of the awareness raising sessions she attended at our local development associations," said Yasmin. Each one of the sisters joined a youth savings group and began depositing money in increments of L.E. 5 ($.75). "After a few months, we got our first loan of LE.500," says Yasmin happily. Through their participation in the youth savings group, Safia and Yasmin also participated in enterprising life skills and financial literacy trainings. Safia reports, "The trainings taught us to analyze the market needs and promote what we have to sell." She adds "We were happy when we started our home- based grocery store. The project worked well and we made a good profit. We also decided to buy a machine to produce candy so that we could sell a wider variety of products and attract new customers."

For Safia and Yasmin, joining the savings group has had a multi-dimensional impact on their lives since they use part of their profits to support their family. "One of the happiest moments in my life was when I could pay the cost of constructing a wooden ceiling for two of the rooms in our house." Recalls Safia joyfully. "I feel that I can make a change in my family and that all of my family members now believe that my opinion counts." In addition to improving the economic status of their family, Safia and Yasmin's social status has improved. They are now regarded as role models in their community, thanks to their success in managing their business, as well as the set of skills they demonstrate when dealing with other community members.

2- THE RURAL YOUTH ECONOMIC EMPOWERMENT PROGRAM LEARNING AGENDA

2.1 The Challenge of Serving Rural Youth

Rural youth in developing countries make up a very large and vulnerable group. Globally, three quarters of the poor live in rural areas, and about one-half of this population is young people[3]. This young and growing population is confronted with a number of challenges to building sustainable livelihoods. The quality of education in rural areas is worse than in urban areas and does not prepare youth adequately for existing livelihood opportunities. The lack of basic infrastructure such as electricity and water supply limits livelihood options and burdens youth with responsibilities that can reduce training and educational opportunities. While agriculture is for many the most viable livelihood option, growing populations, the ongoing subdivision of land, and soil degradation means that youth often lack access to or control of sufficient land for farming, thus preventing or inhibiting their pursuit of this opportunity. Finally, for girls in particular, more traditional cultural stereotypes in many societies reduce livelihood options to those within the household.

Nonetheless, rural youth are economically active and options exist for improving their livelihoods. In contrast to urban areas, **the problem for youth in rural areas is not one of unemployment, but underemployment.** Youth are active in a variety of farm and non-farm activities and for those who cannot pursue farming directly, the rural non-farm sector can serve as the "ladder" from underemployment in low-productivity, smallholder production; to regular wage employment in the local economy, and from there; to jobs in the formal sector[4]. **In this context, the challenge for those interested in rural youth development is to develop the right mix of cost-effective and appropriate financial and non-financial services that will increase youth capacity and access to the resources that they can use to invest in farm or non-farm opportunities.**

Yet, as noted in IFAD's two Youth Access to Rural Finance reports ("How To Do" and "Lessons Learned") people living in rural areas in all regions of the world do not have as much access to financial services as urban residents do. The physical distance to FSP branches and poor infrastructure makes the time and cost of visiting FSPs prohibitive for rural populations. If they do have access, they often find the products available are inappropriate for rural livelihoods – often unsuited for agricultural production or livestock raising, and based on regular income flows, rather than on the seasonal pattern found in most rural communities. These challenges are compounded for youth, who's financial demands don't match common product features, have difficulty meeting identification requirements and are mistrusted by FSP staff.

2.2 Learning to Date

Despite these challenges, progress has been made recently in developing models to provide rural youth with financial services. IFAD's two Youth Access to Rural Finance reports ("How To Do" and "Lessons Learned") summarize the work of YFS leaders and provide a baseline of learning about youth access to rural finance that the findings from the five pilot projects build on.

These documents point out that although there has been extensive experimentation and documentation about youth financial services over the past decade, there has been little guidance on how to apply those experiences to the rural sector. Indeed, most projects have focused on youth savings - therefore leaving many unanswered questions related to lending - and many have taken place in urban areas.

Key lessons learned in youth inclusive finance highlighted in these reports that serve as the foundation for RYEEP pilots include:

[3] Bennell, Paul. Investing in the Future: Creating Opportunities for Young Rural People. Publication. IFAD, Dec. 2010, pg. 1.
[4] Bennell, Investing in the Future, pg. 6.

Improved knowledge of youth financial needs and behaviors

Young people do save, but they want safe places to save and exercise control over their money. Savings should generally be the entry point for reaching youth, but they also demand credit to help them start or grow a business. Conducting in-depth market research with youth and taking a life-cycle approach to financial inclusion can help FSPs to understand needs for savings services and later credit as youth's personal and business needs evolve.

Achieving sustainability of financial and non-financial services

There is growing evidence of the potential for FSPs to achieve financial sustainability for their youth-focused savings and credit products over the medium to long term (three to five years). Some institutions have also demonstrated sustainable provision of certain non-financial services by offering them with their own staff and cross-subsidizing them.

Reaching scale with youth financial services

Scaling up YFS is achievable when the FSP is fully committed to serving young people, rather than being interested in the market primarily for corporate social responsibility reasons. Savings products are the easiest to scale, especially through existing branch networks, schools, and youth savings group models. There is less potential for scale with lending due to youth's lower demand for credit, the cost of supportive services, and the difficulty that youth have to meet typical collateral requirements.

Impact of financial services on the financial behaviors of young people

Youth are bankable and are able to save and repay loans. Innovations such as group lending, savings groups, and linking to government payments can provide rural youth with access to financial services that help build their asset and productive capacity. Non-financial services are considered essential ingredients for building the financial and business capability of young people.

Use of technology to promote youth access to financial services

Technology is facilitating access to and use of financial services, especially mobile banking and financial education text messaging. Technology and digitalized financial services can help bridge the physical distance to the nearest FSP, which is one of the most significant challenges people in rural areas face.

Role of social networks in promoting youth access to financial services

Social networks are important and institutions should carefully consider the role of parents and caregivers as enablers of financial service access, an opportunity for cross sales with youth, and mentors.

Challenges to youth financial services

The IFAD reports also highlight a number of key challenges in providing youth with financial services, challenges that RYEEP pilots both confronted and generated learning on:

- Evidence of sustainability of financial services has focused mostly on savings services that have been subsidized. More financial analysis of other financial products is needed.
- Encouraging the growth of savings balances after accounts are opened is critical for sustainability.
- Achieving scale of non-savings financial products has been limited and requires more experimentation, especially for vulnerable populations such as migrating youth.
- Reaching out-of-school youth with formal financial services calls for alternative approaches.
- Results from youth savings projects indicate there is a gender imbalance, with more young men, in general, opening savings accounts and accessing larger loan amounts than young women. (Note contrast of Plan YSG model)
- There is a need for more evaluation of the long-term impact of financial and non-financial services for young people.
- Challenges remain for mobile technology to promote youth financial inclusion. There is a need to address ways to make the technology more broadly accessible.

2.3 Summary of RYEEP Pilot Projects

The five RYEEP pilot projects were designed to address many of the challenges noted above and to test different financial and non-financial service delivery models for rural youth. Pilots were implemented by local partners, including commercial banks, microfinance banks, local community development organizations, and for-profit companies, and supported technically by Making Cents International and Silatech. Two distinct youth segments were targeted by the program: in Egypt and Morocco, youth aged 18-24 were targeted with a savings-led approach, whereas in Yemen and Tunisia, credit-products for older youth (aged 25-35) were more the focus. Together, the pilots tested five financial instruments and five non-financial services and served 20,543 youth with savings services, 7,292 youth with credit products, and 14,252 youth with supportive non-financial services. Due to unforeseen challenges (e.g. delays in receiving licenses to operate or deliver products; conflict and political instability), projects on average were only implemented for two years, however, they all were able to at least complete the pilot process and begin scaling up.

Short summaries of the pilot projects supported by RYEEP are provided below, while full-length case studies have been produced separately and can be found on the IFAD, Making Cents' Youth Economic Opportunity.org and Silatech websites.

Plan Egypt (Egypt) – RYEEP supported Plan Egypt (Plan) to modify its existing village savings and loan (VSLA) financial model to meet the needs of rural young people in the form of youth savings groups (YSG) that offered both savings and credit services, as well as life skills-based entrepreneurship and financial literacy training. By project end, the pilot had adapted the YSG methodology for rural youth, developed a youth-specific, life-skills focused entrepreneurship curriculum, and launched the program in rural areas within three governorates. During the project, 10,784 youth joined a savings group, accumulated more than $188,000 USD in savings, provided loans to 2,709 members, and begun or expanded over 1,800 income generating activities. In addition, 410 members opened savings accounts or borrowed from formal financial institutions. Cost per member ranged from $20-40 depending on the partner, but Plan estimates that with further efficiencies, NGOs can establish YSGs at a total cost of $15 per member, indicating that the model can be scaled up relatively cheaply.

Al Amal Microfinance Bank (Yemen) – RYEEP supported Al Amal Microfinance Bank (Al Amal) to develop and implement its "Rural Finance Strategy for Youth." Al Amal had proven successful in the development of youth-inclusive financial services in urban areas, and through RYEEP was looking to replicate its success with rural youth. By project end, Al Amal had met many of its initial goals. In the 18 months before the re-emergence of conflict made further operations impossible, Al Amal Bank had developed a rural expansion strategy, launched operations in 13 rural areas, engaged money transfer offices as rural agents for its services, invested in technology to reduce costs, and at the end of the project was actively serving 3,482 young savers and 4,479 young borrowers.

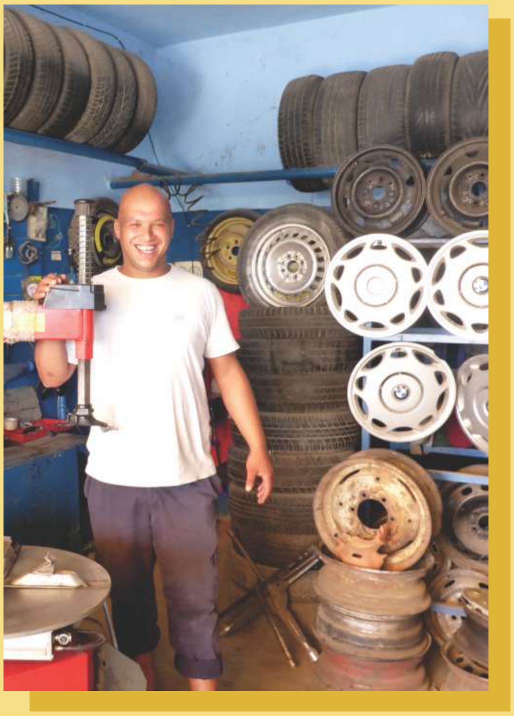
Al Barid Bank (Morocco) – Through RYEEP, Al Barid Bank (ABB) began to adapt its new youth savings product, Tawfir al Ghad (TAG), to better suit the distinct needs of the rural youth clientele (aged 18-25). TAG was an innovative savings product that offered subscribers a free ATM card, no transaction fees, and only a $5 USD minimum balance. While successful nationally and now serving over 100,000 youth, ABB wanted to expand more aggressively into rural areas with RYEEP assistance. Through the project, ABB developed customized financial literacy training for rural youth, experimented with full-service mobile vans as a means to expand outreach, and began efforts to link TAG clients to microfinance institutions. By project end, ABB had served 6,277 rural youth with TAG, trained 3,000 on a short, effective financial literacy course, and linked 30 TAG account holders to microfinance lending services.

Pro-Invest (Tunisia) – In Tunisia, RYEEP partner Pro-Invest used a value-chain approach to improve outcomes in the rural retail sector, a market segment that employs a large number of youth. The program leveraged Pro-Invest's highly successful Najjahni mobile services platform to develop a supply chain solution (MobiPOS) that allowed rural retailers to order and pay for goods via their mobile phones, addressing inventory management, transaction, and payment bottlenecks. In addition, by using the mobile phone to automate and record what they were already doing through other means (ordering, payment), the system created a transaction history that was used to develop a trade credit product for retailers. Pro-Invest also provided supplemental non-financial services via the MobiPOS platform. During the program, Pro-Invest tested the platform with 383 subscribers, developed a trade credit product with local MFI Enda, and developed a business plan for a new private sector entity to take the service forward.

MicroCred (Tunisia) – YEEP supported MicroCred, a newly established greenfield MFI in Tunisia, in the design and development of Irada, the first small enterprise start-up loan developed specifically for youth in Tunisia, with a focus on roll-out in rural areas. In order to support these clients' non-financial skills, MicroCred partnered with Tunisian non-governmental organizations to design and deliver a package of business development services (BDS) in conjunction with the Irada product. Besides the Irada product, Microcred delivered expansion loans to rural youth clients. Due to delays in receiving its operating license, Microcred had less than 15 months to design and pilots its products. Nonetheless, by program end, Microcred had conducted extensive market research on the youth market, developed and piloted the Irada and Expansion loan products with over 100 youth, and designed and piloted a business management training and coaching program for 130 rural youth.

CASE STUDY - TUNISIA

NAME: Achour Hbibi
AGE: 27



Achour started working in the tire repair workshop next to his house when he had free time as a young student. When the business moved to another region, Achour decided to start his own tire repair workshop. To accomplish this endeavor, he took a small loan (250 USD) from a neighbor to buy the initial tools needed. Situated on the main road connecting central governorates to Tunis, Achour's business was well-located and he had a great deal of energy and perseverance. Within his first two years running the business, Achour managed to set enough money aside (3,500 USD) to purchase a new compressor and tire iron for his workshop.

Achour's ambitions were larger than his savings could sustain, so he began to look for loan financing. Achour borrowed $2,500 from Microcred through its Expansion Loan program to buy used tires to keep as stock. Achour expressed that he would not have visited a bank to take out this loan, as he does not feel that his request would have been approved.

Achour's main clients at his repair business are travelers 'passing by' on the road to or from Tunis, but Achour also works closely with farmers who bring their tractors in for repair. Achour provides delayed payment options for farmers so that they may pay for services after the harvest.

Today, Achour employs two young people who he trained himself. Conscious of the lack of services available to his peers in his rural surroundings, Achour hopes to expand the services that his business offers, as he knows the demand is high. Achour estimates that he will need approximately 20,000 USD to fund additional installations and materials to expand his services, but, in the short term he hopes to improve his workshop's appearance by tiling the wall and installing air conditioning.

3- PROJECT RESULTS AND LEARNING TO DATE

At project outset, IFAD, Making Cents, Silatech, and RYEEP pilot partners met to consider the state of the practice and determine in which areas of inquiry the pilots should focus their learning. Participants decided to broaden general knowledge, while deepening learning on five topic areas:

- Adapting and developing effective financial products for rural youth
- Determining the appropriate level and delivery system for supportive non-financial services
- Using technology to lower costs and provide youth with alternative forms of finance
- Linking products or institutions to facilitate movement from informal to formal financial services
- Designing innovative approaches for scaling products in rural environments

Participants met annually at Making Cents' Global Youth Economic Opportunity Summit to review progress to date and share lessons learned. These lessons are presented below, organized by learning topic. The RYEEP experience confirmed and deepened parts of the IFAD knowledge base described above, but at times was more nuanced than or contradicted accepted lessons. Each section below presents the RYEEP learning question, the summarized existing IFAD knowledge, and the most relevant lessons from RYEEP, with information from specific pilots highlighted where appropriate.

3.1 Adapting and Developing Effective Financial Products for Rural Youth

While practitioners have developed good practices for developing financial products for youth in urban areas, there is less experience in how to develop effective financial products for rural youth. To deepen experience in this area, the RYEEP learning agenda focused on how to adapt urban youth products for rural areas, adapt rural adult products for rural youth, or develop completely new products for rural youth.

BASELINE IFAD KNOWLEDGE ABOUT FINANCIAL PRODUCTS FOR YOUTH:

Through its previous work, IFAD had developed the following lessons learned:

- Youth are bankable and are able to save and repay loans. There is emerging evidence that youth loans are no riskier than adult loans.
- Youth financial products with higher profit margins, such as savings and loans for older youth who might have more income-generating capacity, can subsidize lower-profit products, such as savings accounts for minors.
- Project-participating FSPs need to optimize expenses to ensure the financial viability of the services. This can be accomplished by lowering marketing expenses and utilizing current staff to service both adult and youth products during their regular field visits.
- Loans are essential for improving the productive capacity of young people, especially for the landless to start businesses as part of a value chain.
- Solidarity credit groups represent one strategy for FSPs to make credit available to young people while reducing their risk exposure.
- Youth savings groups, through their group structure, can help rural youth build assets and financial capability, and have the potential to develop long-term savings habits.
- Young people, especially vulnerable groups such as adolescent girls, need safe spaces and consumer protection when using formal financial services.
- Linking government-to-person payments to youth savings accounts has potential for long-term impact on young people's lives.

RYEEP pilots tested many of these learning ideas and, for the most part, confirmed and deepened them. Considering the sheer volume of learning in this topical area, the findings have been categorized using Making Cents' 9P's Financial Product Development Tool to facilitate comprehension and later application. The 9P tool is a framework developed by Making Cents to help FSPs conduct research and develop appropriate products for youth.

Figure 3: 9P Financial Product Development Tool

1	**Product:** The terms and conditions of the loan or savings product. (the loan tenor, repayment frequency, application documentation, collateral requirements
2	**Price:** The cost of the product to the end user, set at a level to cover FSP costs (includes interest rate, fees, penalties, transaction costs, etc.)
3	**People:** The management and training of the full range of people involved in delivering the product (human resources; hiring, training, performance monitoring etc.)
4	**Promotion:** How the product is presented to the client (marketing, advertising, public relations, including formats and delivery
5	**Positioning:** Competitive advantage or niche in relation to other products/institutions as perceived by the target customer
6	**Place:** The product distribution and delivery channels (branches, outreach workers or field agents, ATMs, mobile units, phones)
7	**Physical evidence:** The paper or digital requirements for usage (passbook, promissory note, etc.)
8	**Process:** How the product is delivered (systems, manuals, operating procedures, forms, queues, turnaround time)
9	**Preparation:** Design of non-financial service package to enable the client to use the product most effectively (e.g. financial literacy, business training; links to other resources)

Product

Rural youth clients have demonstrated ability to save

Pilot projects in Morocco, Egypt and Yemen, confirmed that rural youth save at slightly lower, but comparable levels to urban youth, and that they will use formal products when given access. In Morocco, the adoption of ABB's TAG savings product by rural youth matched ABB's experience for rural populations in general and rural youth savers maintained savings balances that were similar to urban youth's. In Egypt, savings groups demonstrated their appeal to young savers - youth were enthusiastic participants, depositing similar balances as urban youth and recording only slightly higher drop outs in relation to adults (4% for youth compared to 1% for adults.) Partners found that these youth-friendly saving products did not need to be adapted for rural delivery as the characteristics that made them appealing for youth were as important for rural populations (e.g. no or low minimum balances, easy application process).

BOX 1: MOROCCO - TAWFIR AL GHAD

Al Barid Bank, Morocco's postal bank, is one of the largest financial institutions in the region with an expanding mandate to provide financial services to disadvantaged and under-served segments of the population in Morocco. Whilst ABB understands that youth is an underserved population within Morocco, their own client base remains skewed towards older clients. Therefore, Al Barid Bank launched, in partnership with Silatech, a savings account for youth aged 18-25.

Tawfir Al Ghad (TAG) - in Arabic "Saving for the future" - is a free savings account with a free debit card, which requires an ID and an opening minimum deposit of 50 dirham (5 USD). The TAG product was developed based on the results of a qualitative market study of urban and peri-urban youth conducted by ABB in 2012.

While TAG was developed primarily targeting urban youth, the national launch in June 2014 showed that TAG is also adapted to the needs of rural youth: by October 2015 80,669 TAG accounts had been opened - compared to an existing stock of 94,994 youth savings books - 6 percent of which were in rural areas. So far, rural youth have maintained average savings balances comparable to those of urban youth (317 USD in rural areas compared to 320 USD in urban ones).

Surveys indicated the key reasons why TAG accounts were more popular than the traditional youth savings book product:

- No fees
- Free ATM card
- Possibility to make withdrawals 24/7 in any ABB agency
- Possibility that a person, other than the owner, deposit or withdraw money in TAG account on the owner's request
- Increased withdrawal amount per day (500 USD/ day) in comparison with savings books
- Avoid the queues within ABB agencies (withdrawals are done through ATM)
- Discretion (no bank statement sent home, no savings book at home)
- Feelings of pride and “prestige” of owning a bank card

Lending and savings products designed for urban youth can attract a segment of rural youth without significant modification.

RYEEP activities began with some partners after they had already launched rural expansion strategies that were not youth specific, or youth products that were not specifically rural. As a result, the project was able to examine rural uptake of financial products that had not yet been adapted to rural and/or rural youth conditions. In the two cases (ABB in Morocco and AMB in Yemen), the institutions found that uptake was initially very robust and their outreach targets were being met easily. Further research revealed that the initial uptake was due in part to pent-up demand for products that explicitly targeted youth (even if not specifically adapted for rural conditions). This finding suggests that in the short-term or to reach a small amount of youth, FSPs with a well-designed youth product can initially enter a rural market with few adaptations. To significantly deepen and expand outreach in rural areas, however, products will need to be adapted using the initial market feedback.

BOX 2: TAG AND RURAL YOUTH

ABB's TAG product has attracted a profile of rural clients that is significantly different than its urban youth client base. When compared to their urban counterparts, young rural clients are more likely to (i) be male, (ii) have received a lower level of formal education, and (iii) be already economically active. Close to 60 percent of Al Barid Bank's rural TAG clients is employed or self-employed, compared to only 40 percent in urban centers. Conversely, almost half of TAG clients in urban areas (46 percent) are students, a proportion almost twice as high as in rural areas (24 percent).

In addition, the segment of rural youth that TAG has initially captured tends to be more educated and economically active than the rural youth average. Although those with a tertiary education level only account for 1 percent of Moroccan rural youth, they make up a quarter of TAG account holders in rural areas.

Only 6 percent of TAG clients are in rural areas - well below the 44 percent of youth who live in there, but comparable to the rural share ABB reports across its entire line of financial products. Analysis of the product roll out revealed that the marketing campaign, which included a major focus on internet advertising and profiled middle-class urban youth, was not effective in reaching rural youth and will need to be adjusted if the penetration rate is to increase. In addition, while TAG improved access, it still required travel to bank branches to utilize it, thus reducing its utility to rural youth. Increasing access points and mobile payment options are innovations that could also increase penetration.

Lending to rural youth appears no riskier than servicing urban youth and rural adults.

Despite their reputation for being higher risk, borrowers of RYEEP partners demonstrated similar repayment performance as their adult peers. In Egypt, youth savings and lending group members recorded few arrears and no write-offs during the life of the pilot. In Yemen, Al Amal's rural youth borrowers, even during the conflict, have performed better than urban or rural adults. Finally, in Tunisia, while still early, none of Microcred's rural expansion loans have fallen into arrears. These results indicate that with appropriate targeting of those who are already economically active (in the case of Yemen and Tunisia) or by providing a supportive space to test new business ideas (in the case of Egypt's savings groups), loans can be effectively provided to youth.

BOX 3: RURAL YOUTH AND CREDIT RISK IN YEMEN

Al Amal's young rural borrowers have performed better than (i) urban ones and (ii) rural and urban adults:

PORTFOLIO AT RISK	ADULTS	YOUTH
Rural	35%	30%
Urban	37%	34%

Al Amal staff reported that youth loans performed better for a couple of reasons:

- youth were more adaptable during the crisis and were able to change their investments more easily to continue to earn income, and
- youth had smaller loans that were easier to manage and repay.

Several additional factors may explain this performance:

- although youth underemployment among the 18-35 is estimated to reach between 60-70% in rural areas, rural youth income is diversified, generally derived from at least two sources,
- pressure to avoid default is higher in rural areas, where most youth loans are guaranteed by a group or a relatives' social grant payment (see below), and
- a risk-management approach that focus on offering a range of products and sequencing them (see below).

Start-up lending for rural microenterprises is more feasible than for rural small enterprises.

Based on strong demand for start-up capital, three of the RYEEP Pilots provided start-up loans for rural youth. The Egypt savings and lending groups provided small loans (average 45 USD) to youth to launch or expand small income generating activities. These loans were coupled with business management training and group support and at least 30 percent of participants used this product to start-up enterprises. Al Amal's Reayah product was not designed for start-ups, but because of small loan sizes (starting at $160 USD) the loan was collateralized by government payments, business experience (or lack of it) was not strongly considered in the loan application process and an estimated 30 percent of youth used it to launch new microenterprises. Microcred's Irada, small business start-up loan (average loan size of 2,000 USD), required significant screening and non-financial services to launch, limiting potential outreach and impact of the product. Based on these experiences, the pilots demonstrated that start-up lending for rural microenterprises is feasible, when coupled with appropriate collateral requirements and/or business management support as part of a portfolio of existing and start up loans. However, larger small enterprise start-up loans, though potentially important for rural development efforts, are more difficult to deliver sustainably and may require longer periods to fully cover costs.

Successful lending for rural youth requires innovative adaptations to balance youth's experience and access to resources with standard underwriting procedures.

During the product design stage, RYEEP pilots offering lending products all struggled with the collateral issue - targeted youth had fewer assets and willing guarantors to serve as collateral for loans. However, through their market research, they developed alternatives that balanced youth's access to assets with their collateral requirements. In Yemen, Al Amal developed a lending product that used government welfare benefits as collateral for lending to youth. This product proved the most successful for youth and almost 70% of Al Amal's rural youth clients were served with this product. It also offered the group-guaranteed loan available in urban areas but increased the group size for rural loans. In Tunisia, Microcred changed its procedures to use the assets financed as collateral for loans, a quasi-leasing arrangement which enabled more youth to apply for loans. Proinvest, also in Tunisia, based its trade credit system on a graduated lending approach, where clients could develop a credit history through the repayment of a series of progressively larger loans. Finally, in Egypt, Plan Egypt utilized group lending as an appropriate way to meet collateral requirements.

BOX 4: WELFARE PAYMENT AS COLLATERAL IN YEMEN

In rural areas, Al Amal offers a lending product that targets poor households who receive government support payments. Considering the lower levels of collateral that youth possessed compared to adults in rural areas, Al Amal initially expected to grow its rural youth portfolio through its group guarantee product. However, when Al Amal began to develop its infrastructure to serve rural areas, it was approached by the government to serve as an institution to pay welfare benefits to rural populations. Providing this service gave Al Amal two advantages, an alternative source of income to sustain its rural finance provision, and a ready source of clients who could use the regular payment of welfare benefits as collateral to borrow for business activities.

The loan sizes were small and the government payments were used as collateral. It was designed as a graduation product by Al Amal – used to test low-income borrowers for credit-worthiness – with the idea that those who repay on time and have a successful business could graduate to larger loan products. This product proved the most attractive for rural youth, with 69 percent of the rural youth borrowers beginning with this product.

Youth were the major beneficiary of this program, as older members of the household who received the welfare payments used them to guarantee their children's loans. While not easily replicable in other environments, considering the link between government payments and lending, especially for youth, may be a strategy for other financial institutions to consider.

Price/Costs

Higher pricing or cross subsidization is not an option to recover the increased costs of servicing rural youth.

During the market research process, RYEEP partners found that rura youth were very price-sensitive and that charging more for rural service provision would significantly diminish demand. Most RYEEP partners responded by charging the same price for services in urban and rural areas and focusing on lower costs by increasing the efficiency of product delivery or limiting outreach to easier-to-reach areas. In addition, in contrast to findings described in the IFAD Youth Access to Rural Finance publications, RYEEP pilots indicate that margins on rural youth products was insufficient to enable cross-subsidization. AMB and ABB believed there was potential to cross-subsidize rural services with more profitable urban/national services, but not across youth portfolios.

People

Utilizing the same staff to service both adult and youth products to reduce costs is not always advisable

As was noted in the IFAD Youth Access to Rural Finance Publications, considering the importance of reducing costs in rural finance provision, there is a large incentive for FSPs to rely on existing staff to serve youth. However, RYEEP partner experience indicated that it was better to match staff to the target client, even if this raised costs. For example, Plan Egypt initially relied on existing staff - mostly adult women - to recruit for, and promote, its new program. However, this approach created obstacles in attracting young men, who perceived savings groups as an initiative for “old women”. In contrast, Al Amal has had more success assigning its younger staff to manage youth portfolios and recruiting younger exchange agents - mostly under 25 years old - when selecting rural partners. In both cases, it was also critical to train staff on how to effectively interact with youth and where possible, hire staff from the local region to facilitate communication and trust.

Promotion

Making further inroads into the rural youth market requires adjusting marketing material and channels

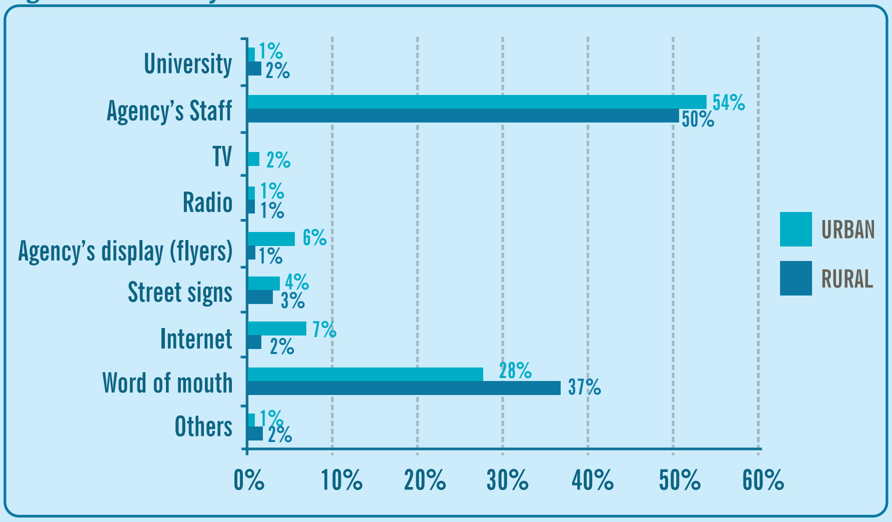
Pilot partners were able to expand into rural areas initially without significant adaptations to their marketing campaigns, but discovered that further penetration requires adapted messages and the use of trusted organizations to promote products to youth. In Morocco, ABB's national campaign to recruit youth for its TAG savings account fell flat with rural youth, whereas local training sessions, outreach by local branch staff, and word of mouth by friends proved the most important for spreading the word. Similarly, Al Amal, although a nationally known bank, recognized the importance of local partners and worked with rural NGOs and community-based organizations to conduct initial outreach.

BOX 5: PROMOTING TAG IN RURAL AREAS

Rural youth favor word of mouth from trusted sources over TV, internet or radio promotion. In Morocco, close to 90 percent of TAG rural clients first heard of the product from agency staff or through word of mouth.

Internet has been a particularly weak promotion channel in rural areas, due to limited access (see figure 3). ABB's promotional and educational videos, which are broadcast online, are reaching primarily urban youth. Surveyed rural youth were not aware of these videos. When provided an opportunity to watch them, surveyed rural youth reported that they didn't relate to the urban middle-class characters.

Figure 4: How did you hear about TAG?



Source : TAG clients phone survey conducted by ABB on June 2015

Positioning

The product image needs to be carefully considered to appeal to rural youth.

Print Materials for TAG were attractive to YouthSimilar to attracting urban youth, positioning products for rural youth requires that FSPs identify the key product attributes that are important for rural youth and develop their communications to reflect how their product responds to them. Through RYEEP, it became clear that identifying the product as youth oriented and showing images of rural youth, differentiating the products from adult-oriented ones, and focusing on key attributes such as security and low costs (for savings) and support (for lending) were important to attract youth. Plan Egypt originally turned off youth by referring to the program using a term for traditional women-managed savings groups; it became easier to attract youth when they changed the name to "Enterprise Your Life" - a term that reflected both the training component, as well as the future oriented nature of the program. Similarly, ABB's strong national campaign for Tawfir Al Ghad ("Saving for the future") was undercut in rural areas by its use of urban, middle class actors in its videos.

Print Materials for TAG were attractive to Youth

Place/Delivery

Proximity, trust and familiarity are key factors in attracting rural youth. Financial institutions that lack these assets have to rely on partners that offer local access and are trusted by rural youth.

RYEEP partners found that rural youth were suspicious of new entities and valued institutions that were close in distance or culture, were trusted in the community, and familiar to them and their households. These characteristics initially favored ABB, which as the national postal bank with 1,800 branches nationally and a long-standing presence in rural communities, offered youth a close, familiar and trusted source of services. AMB, who was expanding into rural areas, leveraged local NGOs and exchange agents successfully to establish a similar presence, a strategy that was key to the success of their rural outreach. Microcred however, was unable to develop appropriate partnerships at first, and struggled to develop trust with its target market at the outset.

The effectiveness of mobile branches to service rural youth remains to be proven.

Recognizing that some isolated rural communities could not be served from existing branches, RYEEP partners have also been experimenting with mobile branches. ABB invested in ten sophisticated mobile branches, equipped with branch teller stations, an ATM, and LED screens for marketing and financial literacy promotion. While rural populations welcomed the visits, they initially didn't trust that these branches would keep coming back, even though mobile branches followed a regular schedule. As a result, the number of accounts opened through the branches has so far been low, and mobile branches have been more effective as marketing channels than as tools to sign up and serve new clients. Al Amal took a simpler route, upgrading 4x4 vehicles with a safe and providing credit agents with tablets to facilitate loan analysis and account opening. While a cheaper up-front investment, the running costs of the vehicles are still quite high, encouraging Al Amal to focus instead on agent banking as an expansion method.

ABB's Mobile Branch

Physical evidence

Developing alternative ID requirements facilitates rural youth expansion.

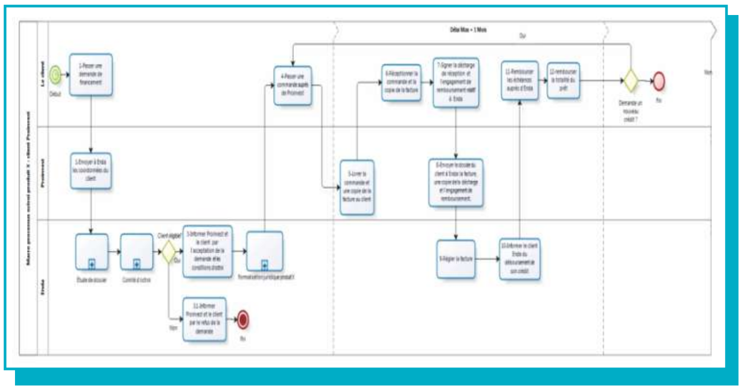
Recognizing that rural youth often do not have standard IDs, some RYEEP partners have accepted alternative ID requirements as needed. In Yemen, Al Amal used a combination of election cards, school documents, and marriage documents to confirm the identity of rural youth who do not have national IDs, while in Egypt and Tunisia, Plan Egypt and Proinvest confirm participant identities through visits to the home or neighborhood.

Process

Tripartite Lending Products offer promise, but the relationships and process take time to negotiate.

Proinvest was able to develop a tripartite credit product involving individual retailers, the MFI Enda, and Promostock (the private company Proinvest created to manage the delivery of goods). In this case, Enda served as the financing partner, lending capital to the rural retailers to purchase goods delivered by Promostock. Retailers repaid Enda 30 days after delivery of the goods, and interest on the loan is paid by Promostock, which recoups the fees through a mark-up on the cost of goods sold to the retailers. This innovative arrangement suited the needs of all three parties, however, it took 9 months to negotiate and design, to ensure an appropriate and efficient process.

Thumbnail image of flow chart: steps and responsible parties for the Trade Credit product developed by Proinvest and Enda



Processes need to be modified in rural areas to (i) facilitate access and (ii) lower costs.
Since the application process to open a savings account or obtain a loan from a formal FSP often requires at least one, and sometimes multiple visits to a branch, which can be costly for rural youth, RYEEP partners have worked to lower the number of steps in the process. In Yemen, Al Amal's IT innovation allows loan officers to process applications outside of branches through wireless tablets and obtain approvals within a day. Similarly, ABB used its mobile branches to enable rural youth to sign up for savings accounts without visiting the physical branch. In addition, both Al Amal and Microcred are allowing loan servicing via local partners (agents or other banks) to facilitate access for rural youth.

Preparation

See section 3.2 below

3.2 Determining Appropriate Level and Delivery for Supportive Non-Financial Services

Work with youth in general and past youth-inclusive financial service projects have established that supportive non-financial services can build young people's ability to use financial services effectively. However, questions remain around (i) what financial capability or livelihood development services should be provided in rural areas, (ii) who should deliver them - financial institutions, NGOs or the government - and (iii) how. To expand experience in this area, RYEEP pilots tested a variety of non-financial services with rural youth.

BASELINE IFAD KNOWLEDGE ABOUT NFS FOR YOUTH:

- **Non-financial services are considered essential ingredients for building the financial and business capability of young people.**
- **Mentoring programmes with experienced business owners can help build the business and financial skills of young entrepreneurs and farmers.**
- **Including non-financial services in projects can become financially sustainable, especially if the same FSP staff can offer them cost-effectively. However, some cross-subsidies by higher profit margin products would still be required.**

Similar to the first topic, learning in this area was particularly robust. To group findings into applicable areas, the Making Cents' 11 S's of Curriculum Design and Training Delivery Systems Framework has been used to guide organization of the lessons learned. The 11S tool was developed by Making Cents to guide the development of curriculum and training systems for adults and youth.

Figure 5: 11S's of Curriculum Design and Training Delivery Systems Framework

1	**Student:** Profile of learners, literacy levels, and learning preferences
2	**Setting:** Conditions, timing, and pacing of delivery
3	**Scale:** Content and time to deliver
4	**Sequence**: Other curricular content before or after this training
5	**Scope:** Knowledge, Skills, and Attitudes contained in curriculum
6	**Style:** Learning/teaching methodology
7	**Skill-set:** Skills needed to deliver, supervise, and coordinate the rollout of training program
8	**Sale:** How much of the organization, marketing, funding, and delivering can be cost recovered
9	**Supplies:** Supporting materials (training guides, TOT guides, participant takeaways, facilitation materials, equipment/ technology, M&E tools)
10	**Systems:** Delivery system, monitoring, and capacity building
11	**Success:** Assessment of the reach, depth, and quality of outcomes and impacts

Students

Non-financial services are more important for younger and more vulnerable youth.

The IFAD Rural Youth Financial Service publications note that provision of non-financial services is generally accepted as an important part of youth financial service delivery. Under RYEEP, partners had a more nuanced experience, indicating that the market segment and vulnerability level of the youth student are particularly relevant when designing appropriate non-financial services. ABB and Plan Egypt both targeted a younger youth segment (aged 18-25 for ABB and aged 16-27 for Plan Egypt) and found that initial knowledge about finance and competency in key life skills was low. Their provision of adapted non-financial services was both appropriate and effective in improving knowledge and changing behaviors.

In contrast, Al Amal, who is targeting older youth (aged 25-35), found that non-financial services are less important. In Yemen, Al Amal initially believed that training on financial literacy and technical topics would be critical to its rural youth expansion. However, due to organizational problems experienced by its non-financial services partner, very little training was conducted. Surprisingly, portfolio performance was not affected, and Al Amal staff indicated that the youth initially served when it expanded in rural areas were more experienced and/or less vulnerable than most. Al Amal still believes that non-financial services will be important for its expansion, but it may not be the case until it reaches more vulnerable and less experienced youth.

Setting

To be accessible to rural youth, non-financial services should be delivered (i) locally, (ii) in safe places, and (iii) taking into account time constraints.

RYEEP partners found that providing training locally, for a short time period, and in trusted places were important to delivery success. In Yemen, financial literacy training was conducted in rural schools. Having access to trusted and acceptable public places was particularly important to provide training to young women, who would not have been able to travel outside their own villages. ABB took a similar approach, at times conducting its savings events during market days when youth traveled into rural centers. Plan Egypt's training and coaching was delivered during YSG local meetings, which ensured accessibility, as YSG members decide where and when to meet and young women could bring their mothers to group meetings if they desired. In contrast, while hard to avoid, considering cost and numbers of participants, both the duration (one full week) and location (Tunis) of Microcred's intensive training made it challenging for rural youth to attend.

Scale

Less may be more when it comes to non-financial services for rural youth.

RYEEP partners implemented a number of curricula with different segments of rural youth under the program, thus it is hard to generalize impact regarding the amount of content. However, it appears that shorter, more targeted training may be more effective than longer comprehensive sessions. In Tunisia, Microcred's 30 hour, week-long entrepreneurship program proved to be a turn-off for some rural youth who did not have the time to spare and felt that some of the topics were already familiar to them. In contrast, the Enterprise your Life curriculum delivered through savings groups in Egypt, which offered 12 hours of content delivered in 30 minute sessions spread out over a six-month period, was very popular with youth participants. The training was offered during the YSG meetings, whose timing was decided by members. Similarly, ABB's targeted three and-a-half-hour training sessions on financial literacy demonstrated strong changes in knowledge (90 percent of surveyed participants declared that, after the training, they were able to better manage their budget, and two-thirds declared they started saving) and in behavior (20 percent of the surveyed participants who had no bank account opened one following the training). These results indicate that less and more targeted training may be more effective for rural youth with time constraints and low education levels.

Sequence

Financial literacy and entrepreneurship training is most useful when it can be applied immediately.

RYEEP pilots demonstrated that financial literacy and entrepreneurship training has the greatest impact on behavior change when it can be immediately applied. In Egypt, the entrepreneurial life skills curriculum was offered immediately after the savings and lending activities, so that youth could use their training directly in the development of income generating activities. According to youth self-surveys and independent evaluations in Egypt, more than three quarters of surveyed participants reported applying the training to their business “very often” or “always”. Similarly, ABB found that its large variety of accessible products (including TAG) encouraged uptake after the “nudge” of a financial literacy training - a telephone survey conducted after the training revealed that 50 percent of participants who already had a bank account before the training added funds to their bank accounts after the training, and 20 percent of those who did nothave an account opened one after the training.

Scope

Focusing on foundational life skills develops rural youth's entrepreneurial behavior.

Market assessments in Egypt and Tunisia indicated that youth “knew” what entrepreneurship was and had role models who were good entrepreneurs. However, they lacked the confidence to begin activities and lacked many of the entrepreneurial skills to succeed. The Enterprise Your Life curriculum, developed by Making Cents and Plan Egypt, responded by building up foundational life skills such as negotiation, communication, planning, and idea generation skills. This approach appeared successful: during an external

evaluation six months after the training, 63 percent of youth reported that their quality of life had improved, and that the program's access to finance, knowledge, and coaching provided them with tools to achieve their business or personal goals. Considering that increases in "agency" have been found to lead to improved economic wellbeing in developed countries, this increase in confidence engendered by the Enterprise Your Life trainingmay be its most important result.[7] Participants of Microcred's entrepreneurship curriculum also included foundational skill development and reported increases in confidence, though the finding was not

BOX 6: ENTERPRISE YOUR LIFE IN EGYPT

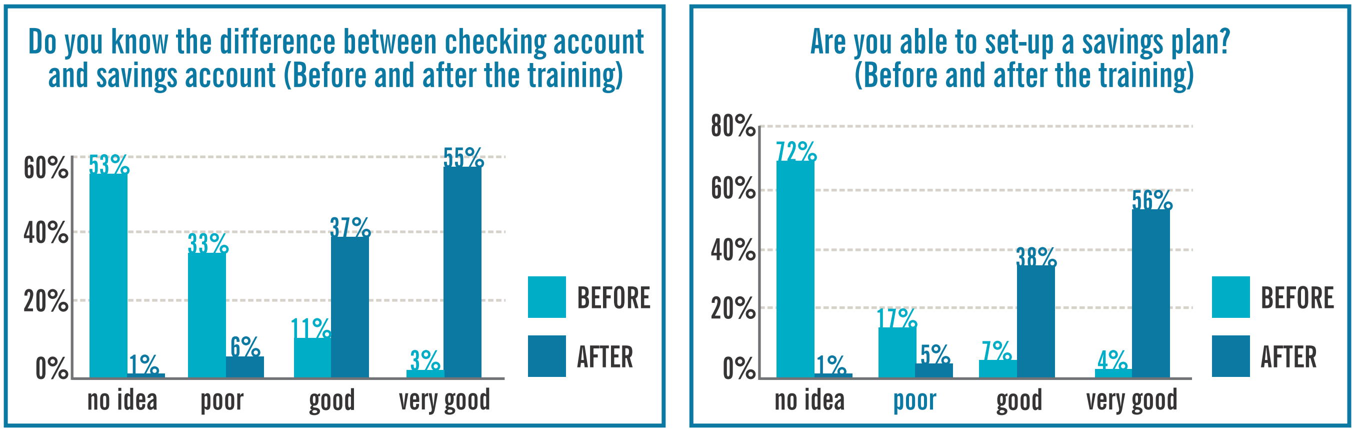
Enterprise Your Life™ is an innovative, youth-focused curriculum built on coaching and applied learning methodologies. The curriculum is designed to transfer key enterprising life skills to youth to enhance engagement in a wide range of income generating activities. The curriculum focuses on the following topics: thinking ahead, knowing your market, decision-making, negotiation, wise investments, and being different. Through the use of short, targeted sessions incorporating applied learning activities and interactive visual aids supplemented by ongoing coaching, youth develop the entrepreneurial mindset necessary for business success.

To be accessible to marginalized rural youth, financial education should cover basic concepts and incorporate practical examples relevant to rural youth.

Considering the lower education levels of rural youth and less exposure to banks and financial institutions, partners needed to simplify the financial education curriculum and focus on more basic concepts. For example, in Morocco, financial education focused on how and where to save. Trainers adjusted content when they realized that, unlike their urban counterparts, many of the rural youth attending had little basic financial knowledge and had never seen a checkbook. The training was also offered in local dialect and incorporated practical examples relevant and familiar to rural youth, aspects that ABB believes were instrumental in raising financial literacy (see figure 5)

Figure 6: Results of ABB's financial literacy training

Source : ABB's training evaluation report of Oriental region



[7] Nagoaka, J., Farrington, C., Ehrlich, S., & Heath, R. (2015). Foundations for Young Adult Success: A Developmental Framework. The University of Chicago.

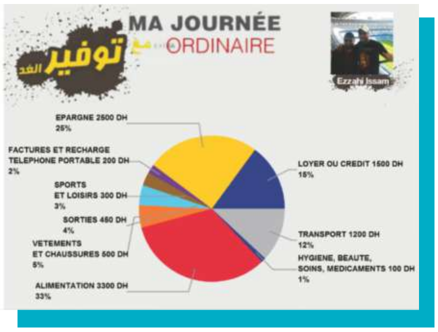
Style

Coaching is an effective and appreciated tool to deliver non-financial services to rural youth.

Market research in Egypt and Tunisia indicated that youth learned from mentors and appreciated on-going support. In Egypt, Plan responded by incorporating a coaching component into the Enterprise Your life program. The curriculum was designed as short, targeted drills that enable "practice" and hands-on learning for continual development of skills, allowing youth to experiment and then seek coaching advice from other members and the promoter. The encouragement and reinforcement of material was a feature that was appreciated by youth participants. One 18 year old YSG member in Assiut reported, "I told Miss Zeinab (the coach) about my project idea, she encouraged me and it is still going". Microcred took a different approach, offering ongoing coaching by loan officers, an approach which clients favored and which allowed Microcred loan officers to become more knowledgeable about their clients' business performance.

Further exploration is needed to assess how technology can best be used in delivering non-financial services.

Partners experimented with different means of delivering non-financial services through radio, internet, and SMS. ABB developed a series of videos available on the internet (Facebook, the TAG website and YouTube) and in branches. These videos, which involve a cast of several young characters interacting around financial issues in their daily lives, have been popular in urban areas, but their reach has been very limited in rural zones: most of the rural youth and field staff interviewed were not aware of these videos due to low internet access. ABB also sponsored a financial literacy radio show that reached over 300,000 listeners and was one of the top four shows nationally. Nonetheless, rural youth uptake of the ABB TAG product was generally no better than that of savings accounts for adults. Through the Najjahni platform, Proinvest had already demonstrated that Tunisian youth were interested in receiving entrepreneurship and English language training through their mobile phones. The system works through a free USSD interface and builds knowledge through a series of true/false and multiple choice questions on key topics. Proinvest leveraged the platform to provide training on entrepreneurship, financial literacy, and food hygiene to retailers enrolled in MobiPOS. Since the service was introduced at the end of the pilot, results are incomplete, but initial uptake/responses from youth were enthusiastic. In both cases, these methods appear promising, but the link between these broad based education programs, changes in knowledge, and especially changes in behavior has not yet been made.



ABB's internet platform enabled users to develop their own budgets, but use by rural youth was low

Skill set

Though a higher cost solution, outsourcing training appears the most effective means to deliver non-financial services.

RYEEP partners offered training both through internal staff as well as by outsourcing it to specialized companies or local NGOs. Experience demonstrated that, although a more expensive method and dependent on the availability of strong local training capacity, outsourcing was on the whole a more effective strategy:

In Morocco, ABB originally intended for line branch staff to provide part of the financial literacy education. However, they quickly realized that branch staff did not have the time nor outreach to mobilize or provide the training and thus reduced their role to a smaller promotional role. ABB proceeded with outsourcing the training to strong training companies and NGOs and recorded good results with knowledge and behavior change.

In Yemen, Al Amal relied on a foundation to train or certify trainers, who led the sessions but worked in close collaboration with local organizations to recruit participants and host the events. Al Amal felt that these partnerships were critical to the success of the first training sessions, because the local partners were able to contextualize the content, recruit appropriate youth, and provide credibility to the trainers, as well as information that would have been difficult for an urban-based institution alone to obtain. When

Al Amal is in a position to resume the provision of non-financial services, it plans to maintain and expand these partnerships, training and/or contracting NGO staff to deliver services as a means to lower costs, as well as improve effectiveness of the training. Microcred tested both the internal and outsourcing approaches by partnering with education and coaching organizations, while also training its own loan officers to provide non-financial services. It ultimately decided that using staff to deliver non-financial services in initial phases helped to build their underwriting capacity - as training is part of Microcred's client selection process - and served as a critical marketing and trust-building mechanism with rural youth. In the longer term, however, outsourcing to the right partner would be a more efficient strategy for expansion and reaching scale.

Sale

The provision of non-financial services to rural youth requires external financial support, at least initially.

All RYEEP pilot projects depended on external support to fund the provision of non-financial services to rural youth. Until their rural financial products become financially sustainable and the cost effectiveness of non-financial services is more clearly established, opportunities for cross subsidies are limited. In Tunisia, Microcred planned to cover the cost of its training over time by subsidizing initial losses with the profits of repeat borrowers. However, in the initial pilot, large numbers of drop-outs after the training meant that the smaller number of repeat borrowers would be insufficient to cover training costs. In response, Microcred is improving its selection process and adjusting its training to be more effective, but the experience underlines the difficulty in covering training costs with financial service profits.

Supplies

In response to lower education levels of rural youth, training should rely on visual and verbal material to convey messages.

The most successful training offered under RYEEP (in Egypt and Morocco) used curricula that engaged participants with pictures, role plays, and other activities. These materials and methods were the best suited to rural populations' lower education levels.

Systems

Weak local training capacity can inhibit rural outreach.

RYEEP partners in Egypt and Yemen struggled to find capable non-financial service partners. In response, Plan Egypt included a capacity building component as part of its program and conducted in-depth training of trainers to build local capacity. In Yemen, the management turn-over and weak capacity of Al Amal's non-financial services partner delayed training delivery and led to poor monitoring of results.

Success

FSPs are not equipped to collect data related to non-financial services, which requires the development of new systems.

RYEEP partners generally had strong and effective internal Management Information Systems (MIS) collecting information on client business and loan performance. Unfortunately, local training partners did not have the same capacity, and it was difficult to gather accurate information about training outcomes. This in turn inhibited RYEEP's ability to measure success. In response, both ABB and Plan Egypt developed specific questionnaires and self-assessment tools to measure the impact of the training.

Although the provision of non-financial services resulted in improved financial literacy, the link between training and the penetration of financial services remains unclear.

RYEEP partners had different experiences regarding the provision of non-financial services and financial service uptake. For example, ABB recorded relatively good figures after its training: 20 percent of surveyed participants who didn't have any type of bank account before the training decided to open one afterwards and those who didn't, appeared not to have the capacity to do so as over half cited their lack of money as the main obstacle to opening an account. In contrast, Microcred's training and coaching program has so far translated into very few new start-up loans, (13 start-up loans out of 130 youth trained, 96 coached and 800 applications). For Microcred's non-financial services to be worth providing, this ratio of training to loan clients needs to improve substantially.

BOX 7: MICRORED'S FS AND NFS COST ANALYSIS

Microcred plans to cover the costs of its intensive Irada training through interest income from the product, however, its experience to date indicates the difficulty of this proposition. Based on its urban experience, Microcred estimates that the product can break even with 60 loans. However, considering the increased costs of working in a rural area, Microcred will need to deliver 101 loans to break-even. In response, Microcred plans to deliver 1 rural Irada loan for every 3 in urban areas, a proportion which lowers the threshold break-even point to 87 loans, but slows rural service provision. Microcred is also seeking additional subsidies and support to lower the costs of training by arranging free training rooms with NGO partners, negotiating guarantees, and soliciting donor support for marketing and salary costs.

The table below provides a cost breakdown for Microcred and demonstrates how increased variable costs impacts the overall break-even threshold point

Cost Comparison of Irada product delivery – Urban vs. Rural

Line Items	**Urban** (Greater Tunis experience)	**Rural** (Béja experience)
Interest	1,641	1,641
Opening Commission	117	117
Revenue per loan (based on average Irada Loan)	**1,758 TND**	**1,758 TND**
Variable costs	855	1220
Transport Irada Loan Officer Initial	40	40
5% Time of a loan officer	720	720
Training costs	23	360
Total follow up transport fees	72	100
Fixed Costs	54,000	54,000
Coordinator/ trainer Salary	36,000	36,000
Branch Manager, DOP, Supervisor time (supervision and input into underwriting)	18,000	18,000
Cost per 100 loans	**139,500**	**176,000**
Revenue per 100 loans	**175,800**	**175,800**
Break-even threshold point	**60 loans**	**101 loans**

Other associated costs not accounted for in this calculation:

- The cost of money
- Related headquarter and branch costs (support functions, rent etc.)
- Marketing and communication (leaflets, salons etc.)
- Room rentals for training
- 20% time of program manager on improving the pilot (structure, collaborations, organization etc.)

Yet rural youth in all RYEEP projects said they valued non-financial services at least as much, if not more, than the provision of financial services, and training was shown to help build trust in FSP amongst rural communities: in Morocco, ABB reported that the training events in rural areas have further strengthened its image of proximity and being accessible to all, while in Yemen, Al Amal also reports that, before it was interrupted for security reasons, financial literacy training was reinforcing to the brand of the bank. Similarly, Microcred feels that delivering non-financial services has served as a critical marketing and trust-building mechanism with rural youth. These findings suggest that non-financial service provision also serves a marketing function that builds trust and may result in the higher penetration of financial services over the long term.

3.3 Linking Products or Institutions to Facilitate Movement from Informal to Formal

Youth capacity to use financial services develops over time as their experience, knowledge and assets grow. While informal financial services such as savings groups may be appropriate for youth starting out, how can services be linked to formal financial institutions to provide youth with the greater variety and sophistication of formal financial services? Similarly, many youth begin informal income-generating activities as their first foray into business; how can financial or non-financial products encourage business growth and graduation from informal to formal enterprise management? RYEEP pilots endeavored to answer these questions as part of its linkages research.

The RYEEP pilots found that while the linkage from savings to credit is theoretically sound, directly facilitating that linkage in rural areas was hard to accomplish in practice. Specific findings include:

Linkages between institutions in rural areas are difficult to develop in practice, even when incentives and goals are aligned. This may mean that vertical integration of services or donor/governmental incentives are necessary to develop linkages.

Three RYEEP programs were designed to provide youth with basic savings or trade enhancement services and link their clients to credit. ABB and Plan Egypt's programs - which relied on coordination and information sharing - had weaker results, wheareas AMB's and Proinvest's vertically integrated program was more successful.

Only five percent of Plan Egypt's YSG members received a loan for business expansion from a financial institution or opened a savings account by project end. Plan's efforts to facilitate rural youth's transition from informal YSGs to formal saving and borrowing institutions by sharing information about the YSGs and their members' strong records were hampered by a lack of interest in youth by formal FSPs, inappropriate products, and the YSGs meeting many of the initial needs of their members.

ABB ran into similar challenges. In their pilot, ABB - which is not able to provide credit to its clients due to regulatory restrictions - planned to facilitate access to credit for its savings account holders through information sharing and potentially developing methods for MFIs to collect repayments directly from youth borrowers' savings accounts. The pilot concluded before ABB was able to fully test this idea, but progress was slow, indicating that these linkages - which are "nice", but not "necessary" activities for both parties - are unlikely to move forward without additional incentives or leadership actions.

BASELINE IFAD KNOWLEDGE ON LINKING SERVICES:

- **Experience has shown that savings accounts need to be an entry point to formal financial services. This builds the financial capability of young people before they access other products, such as loans.**

In Tunisia, Proinvest experimented with a different approach. Recognizing that providing trade credit was a key service to retailers but that it had neither the resources nor expertise to underwrite loans, Proinvest recruited a local MFI, developed a turnkey model that was easy for the MFI to buy into, and covered the interest charges to encourage borrower uptake. While these efforts still took nine months to negotiate, this integrated approach ensured that linkages will occur.

AMB found success in linking youth to different services due to its status as a full-service bank. By offering seven different savings and credit products in rural areas from the start, AMB was able to meet the initial savings needs of younger clients, and transition them to loan products as they grew older and became more economically active.

FSPs can play a role in formalizing rural youth businesses.
In Tunisia, while many rural youth manage informal businesses, formalization can facilitate access to formal finance, markets and government support. In an effort to ease this transition, Microcred and Proinvest offered information on the formalization process through their in-person or SMS training to encourage their clients to register their business.

Although savings is the most appropriate entry point to financial services, it does not need to be, particularly for older, economically active youth.
The RYEEP partners' market assessments indicated that savings products were in demand across all youth segments, while credit became more important for older youth, particularly for those who were economically active. In Yemen, Al Amal responded by promoting savings and credit products to both segments of the youth market, though they did not require a "savings first" approach, recognizing that many youth clients had already begun saving at home. Plan Egypt also offered its youth savings and credit products, although the emphasis was on savings, and credit restrictions ensured that youth loan sizes were manageable. The success of both programs in promoting both savings and credit indicates that savings is still the entry point, but for youth who demonstrate greater knowledge or economic activity, credit can quickly follow.

3.4 Using Technology to Lower Costs and Provide Youth with Alternative Forms of Finance

Making the business case for providing financial services to rural youth is especially difficult considering youth's general tendency to save smaller amounts and demand lower loan sizes, combined with the low population density and poor infrastructure in rural areas. As a result, RYEEP partners were particularly interested in considering how technology could lower the cost of financial service delivery to youth.

The RYEEP pilot projects largely confirmed emerging lessons about technology use in rural financial services provision. Key lessons include:

BASELINE IFAD KNOWLEDGE ON USING TECHNOLOGY FOR FS PROVISION:

- **Technology is facilitating access and use of financial services, especially mobile banking and financial education text messaging. Technology and digitalized financial services can help bridge the physical distance to the nearest FSP, which is one of the most significant challenges people in rural areas face.**
- **Challenges remain for mobile technology to promote youth financial inclusion. There is a need to address ways to make the technology more broadly accessible.**

Technology can effectively extend FSP's rural outreach to youth by increasing efficiency and enabling new partnerships.
RYEEP partners embraced new technologies to increase loan officer efficiency, enable new partners to take on finance functions, and provide clients with improved services. Al Amal has equipped their field loan officers with wireless tablets that allow them to process applications outside of branches, wirelessly transmit client information, and obtain approval the same day. The wireless tablets also provide credit information in real time. Similarly, Microcred provided its credit officers with smart phone applications that allow them to have real time access to their portfolio data in the field, develop sample repayment schedules for their clients, manage visits, and monitor overall portfolio performance. Microcred plans to upgrade the application in early 2016 so that loan officers can create client and loan applications in the field, record client GPS coordinates, and visualize client location on a map.

AMB has also invested in back-end systems that establish real-time connections with agents, giving AMB the confidence to work closely with them as part of its rural expansion. Previously, AMB settled payments on a daily basis by fax and email, a cumbersome process that was prone to error. AMB has now been able to seamlessly integrate agent activity into its core banking system, increasing its ability to monitor agents effectively. With these investments, AMB hopes to reduce the cost of serving rural youth - currently three times as costly as serving urban ones - by at least a third.

In Morocco, ABB focused on the customer experience. By providing youth with an ATM card as part of their savings account enrollment, youth have gained a service that gives them the convenience and confidentiality of ATM services, while freeing up branch staff to manage questions and problems, rather than just cash withdrawal or deposits.

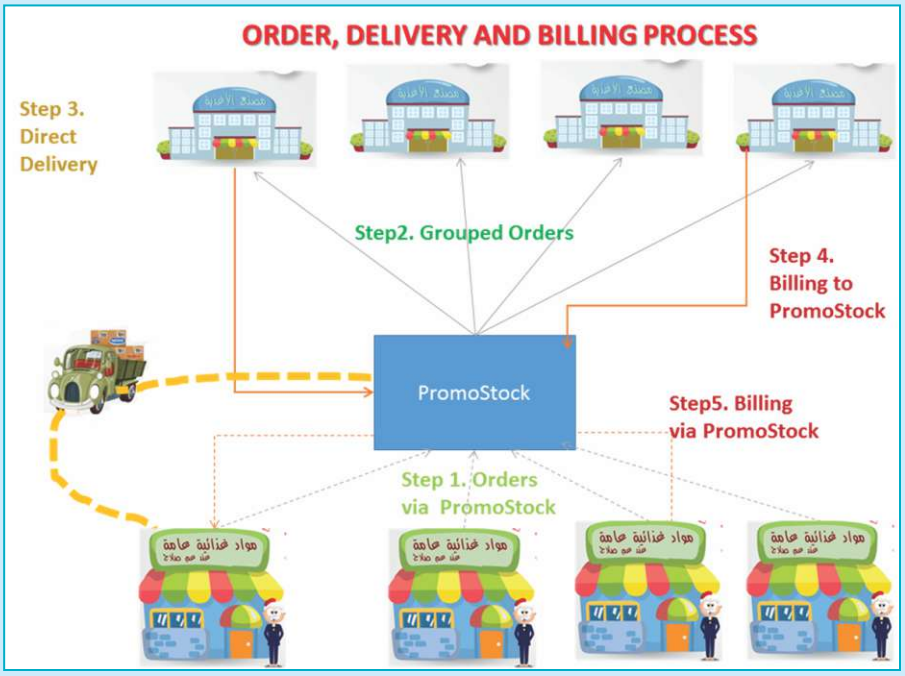
Although they carry much potential in the medium to long term to extend rural reach, technology and digitalized financial services are not substitutes for face-to-face interactions between rural youth and the FSP in early stages.
All RYEEP demonstration projects have confirmed that reaching rural youth, particularly those not familiar with financial service providers and/or the financial products they offer, requires direct interactions over a sustained period of time to build trust and familiarity. In Morocco, rural youth have confirmed that they do not pay much credence to marketing messages delivered on TV or radio: over half of TAG rural clients first heard of the savings account when interacting with ABB's branch staff. In Tunisia, recruiting new clients - whether retailers for MobiPOS or borrowers for Microcred - required regular door-to-door visits from field staff to build trust and explain the product and its benefits. Microcred clients also valued their direct interactions with loan officers, which greatly contributed to building Microcred's reputation for good service.

Leveraging technology effectively to reach rural youth requires a clear understanding of what technologies youth use, and how.
While improving, computer and internet usage among rural youth is still low, requiring FSPs to either use more traditional media, or consider mobile phones as a delivery platform. In Morocco, ABB's video clips, broadcast mainly online, have been very popular in urban areas, but surveyed TAG rural clients were not aware of them. Microcred introduced online questionnaires to screen applicants and assess their risk profile. The experiment has been disappointing, partly due to rural youth's lack of familiarity with, and limited access to, computers. Similarly, in Yemen, AMB adjusted its training material and delivery to avoid relying on technology, due to power shortages.

In contrast, Proinvest, which conducted significant market research on youth technology usage, recognized that using feature phones, even if not as user friendly, offered the best platform to launch its MobiPos on-line ordering system. Tunisian rural youth - who rely on their mobile phones even more than their urban counterparts - are very familiar and comfortable with that platform. Proinvest was able to attract both tech savvy youth and older adults to their service and is planning on introducing a mobile payment feature using the Mobiflouss mobile banking platform. In Morocco, ABB's experience also confirms the reliance of rural youth on mobile phones; of the TAG clients who were aware that ABB offered a mobile phone application, 56 percent downloaded it in rural

BOX 8: PROINVEST'S SUPPLY CHAIN DISRUPTION STRATEGY

Proinvest saw an opportunity to disrupt retail supply chains that hampered youth access to trade credit and opportunities to grow their business. By creating a mobile phone based goods ordering platform, Proinvest planned to provide rural youth more choice than before as well as trade credit underwritten by local MFI Enda. A diagram of the Promostock (the new company's) operations is included below.



areas, which was substantially higher than in the 47 percent recorded in urban areas.

New technologies have the potential to disrupt business models to the advantage of youth.

Proinvest's market research and successful pilot indicated that the retail value chain was stacked against youth retailers, and that a goods ordering system relying on a mobile phone platform had the potential to disrupt it. Through this model, youth retailers would have access to a larger assortment of goods as well as trade credit to purchase it, and better stock management. The system is also meant to build an ordering and credit record to offer the 80 percent of the small retail sector that operates informally a stepping stone towards formalization. While still not fully tested, this model shows the potential to improve youth livelihoods more directly than through finance alone.

When developing technology-based solutions, financial institutions should first be clear about the business fundamentals underlying the objective.

Excitement in the MobiPOS application resulted in a premature focus on developing the technology, rather than first clarifying fundamentals. At project outset, Pro-invest had an IT department experienced in mobile-phone based solutions, but lacked experience in the retail sector. Failure to recruit this expertise until halfway through the pilot meant that the business model was not properly vetted and refined during the initial research phase.

3.5 Designing Innovative Approaches for Scaling Products in Rural Environments

RYEEP partners recognized that even if their pilots achieved their targets, without strategies to reach scale, they ultimately would not succeed in advancing rural youth financial inclusion. With this in mind, they considered and tested which pathways would be most appropriate for scale: through the government (by policy changes or adoption of services by government agencies), the market (by private sector companies or entrepreneurs seeing value in services and offering them on a for-profit basis), or culture (when public awareness campaigns and behavior change strategies become adopted by communities, and new practices are propagated).

RYEEP pilots indicated that rural youth financial inclusion at scale is possible, however, choosing the correct institution, strategy, and approach are all critical to success.

A combination of extensive rural presence and broad service offering is required to reach large numbers of rural youth.

The RYEEP pilots demonstrated that, even with youth-inclusive products facilitated with technology, penetration of the rural youth market is still limited by a basic infrastructure issue: physical access points. Due to a lack of trust and financial illiteracy, rural youth still need to be reached by FSP personnel who travel to rural areas or are located in accessible branches. Accordingly, RYEEP partners who had the greatest presence in rural areas - either directly or through agents - were able to obtain the largest outreach. ABB was able to exploit its existing and trusted infrastructure of 1,800 postal branches - 64 percent of which are in rural areas - and the 11 mobile vans to reach 6,277 youth. AMB quickly opened 13 branches and also engaged with 12 exchange office agents to create a rural presence that, combined with its diversified product offering, could attract 4,479 active borrowers and 3,482 active savers among rural youth. Similarly, Plan Egypt was able to reach over 10,000 rural youth through the use of six local organizations. In contrast, Microcred, which was confined to urban areas during the pilot phase, had difficulty reaching rural youth.

BASELINE IFAD KNOWLEDGE ON SCALING PRODUCTS:

- Scaling up YFS is achievable when the FSP is fully committed to serving young people. For this commitment to be institutionalized, project design needs to foresee that staff at all levels of the organization are trained to see youth as bankable and offer them quality customer service.
- There is growing evidence of the potential for FSPs to achieve financial sustainability for youth savings products over the medium to long term (three to five years). The key to ensuring sustainability of project-supported financial services is balancing the costs and revenues of young people over their life cycle and taking into account the financial products their social networks might demand.
- Youth savings services have proved they can reach a very large scale. YSGs are especially effective in rural areas and, therefore, should take centre stage in IFAD-supported projects.
- Scalable approaches to savings accounts have incorporated more flexibility in account opening requirements, reduced account opening amounts, provided greater account control for the youth, and simplified the product design.
- Schools are effective entry points for reaching large numbers of young people, especially minors, but youth savings groups represent an alternative strategy for reaching out-of-school youth in rural areas.

Youth savings and loan groups are an effective model to provide basic financial and non-financial services to rural youth, but scaling them still remains challenging.

Plan Egypt's YSGs program confirmed earlier experiments, demonstrating that savings groups models can be an effective way to provide appropriate financial services to rural youth. In a short time period, the program exceeded most of its enrollment targets. Average savings deposits per member (18 USD) and average loan sizes (38 USD) were about half that of adult groups, but appropriate for youth beginning small businesses. In addition, performance matched that of rural adults groups in repayment, with no write-offs recorded during the life of the pilot. Drop-out rates were only slightly higher than for adults - at 4percent compared to 1percent - but appeared to correspond to age-related issues such as military service or attendance of university, rather than dislike of the program. While matching the performance of other experiments, the Egypt program also demonstrated that the model is appropriate and cost-effective for delivering non-financial services as well, adding little cost to the model once the training curriculum was developed.

Scaling savings groups remains challenging however. At 15 USD a person, the cost of expanding the service to 100,000 youth rises to 1.5 million USD and on the scale needed in Egypt – to at least a million annually – to 15 million USD. Considering the on-going subsidy and infrastructure needed, the only viable scaling solution appears to be through integrating the program into the school system. Plan has developed a strategy to communicate the programs impact and to engage with stakeholders. In the short-term, however, it will need to rely on donor support to maintain services.

Reaching rural youth through FSPs is possible, but only as part of a larger rural expansion strategy.

RYEEP partners, especially ABB and Al Amal, demonstrated that they could reach large numbers of youth as part of an overall rural finance strategy. ABB has been expanding its product offering, and TAG is just one of a suite of initiatives to strengthen its national outreach. Al Amal considered youth as one component of its rural strategy, rather than as the exclusive focus. The success of these strategies indicates that youth inclusive services can both contribute to and leverage a larger portfolio of rural services. Nonetheless, further efforts need to be made to increase efficiencies in rural finance provision in order for these mixed portfolios to be profitable for FSPs.

Private-sector models of youth inclusion should be explored more fully as part of rural development strategies.

Considering the continuing challenges of providing rural populations with financial services, value-chain finance solutions led by the private sector should continue to be pursued. The Proinvest model, which envisions serving youth as one part of an overall initiative led by the private sector to modernize rural retailers, is promising, and similar approaches should be considered in other value chains that demonstrate high potential for youth.

CASE STUDY - YEMEN

NAME: Alhan Abdul Basit
AGE: 26

Before being exposed to financial services offered by AMB, Alhan's family was suffering financially. She lived with her mother in a small house in a run-down neighborhood in rural Yemen. After finishing her primary secondary education in the regional school, Alhan was interested in providing assistance to others and decided to study nursing and first aid. She successfully completed her studies, but like many young graduates, she was not able to find a job after her graduation and had to wait many months.

When the Al Amal Bank staff carried out a promotion campaign in Alhan's village, Alhan applied for her first small loan with the idea of establishing a small first aid clinic in her village. After receiving her application, Amal Bank conducted a feasibility study and approved Alhan for a 200,000YR individual loan (approximately USD$931). One of Ahlan's relatives who worked at the National Post Office guaranteed the loan. Alhan used this initial funding to furnish the clinic and begin buying first aid equipment. Alhan now is supporting her family from the clinic's profits and helping her brothers to finish their education.

Alhan standing in front of her shop during the inauguration ceremony.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4- RECOMMENDATIONS AND NEXT STEPS

The Rural Youth Economic Empowerment Program was conceived to test new models of inclusive financial services for rural youth, and in the process, increase our understanding of rural youth, their demand for financial and non-financial services, and how they can be served sustainably and on a large scale. During the short implementation period, the five pilot projects achieved remarkable outreach – providing savings or credit services to 20,543 youth, and non-financial supportive services to almost 14,252 youth. They also generated knowledge across a range of important topics that confirmed, deepened, and in some cases contradicted earlier reporting on this subject.

1. Adapting and Developing Effective Financial Products for Rural Youth

Experience during the pilots demonstrated that a small, but important segment of rural youth - the more educated and economically active - is similar in their demand for financial services to their urban counterparts. This similarity meant that a part of the rural youth market could be served without significantly adapting the basic terms and conditions of youth-inclusive products designed for urban environments. Pilots also demonstrated that this segment of rural youth saves on average as much as urban youth and also appears to be no more a credit risk than urban youth, or their older rural counterparts. In terms of age, both older (aged 25-35) and younger (aged 18-24) youth cohorts demonstrated the ability to utilize savings and credit products, though the younger cohort demonstrated a greater effective demand for savings products.

Yet deepening outreach beyond the more educated and active segment was difficult due to both youth-and rural-specific challenges. On the youth side, lower education levels, a lack of trust in urban institutions, and cultural differences required FSPs to adjust marketing tactics and delivery channels, recruit trusted local partners, and maintain costly face-to-face interactions. At the same time, poor rural infrastructure and dispersed populations made these tactics more expensive, while FSPs' lack of products aimed at agriculture and livestock limited their ability to fully penetrate rural markets. This was especially true when it came to start-up lending, which was hampered both by lower experience and educational levels, as well as the higher costs of loan provision. As a result, while FSPs were able to make inroads with the rural youth population, it was either shallow, or hard to sustain if not accompanied with significant gains in efficiency.

2. Determining the Appropriate Level and Delivery System for Supportive Non-Financial Services

While pilot partners could initially begin to extend financial services outreach into rural areas without significant changes to their products, non-financial services needed to be adjusted from the outset. Lower education levels, limited internet access and more traditional cultures among the majority of youth in rural areas required partners to simplify materials, focus on foundational skills, identify appropriate locations, times and contexts; and deliver information face to face. FSPs had to rely on technical and local partners both to develop training material and ensure local reach, yet weak local training capacity made outsourcing the whole process challenging. Except in the case of savings groups, where the group promoter already met weekly with clients and thus was able to offer training at no extra cost, developing and providing non-financial services was relatively expensive and in most cases could not be offered by internal staff or cross-subsidized from the larger financial portfolio, a finding at odds with other IFAD programs.

On the positive side, partners learned that (i) not all rural youth needed non-financial services, (ii) short, focused materials and coaching methods were effective in raising financial literacy and bolstering confidence, (iii) focusing on foundational life skills develops rural youth's entrepreneurial behavior, (iv) SMS offered promised as a means to reinforce training, and (v) rural youth valued training at least as much as financial services. It was also apparent that training was most effective when offered in conjunction with the financial service, so that it could be acted upon immediately. Yet the link between financial training and the uptake of specific financial services remains unclear in the short term, and developing cost effective models remains challenging.

3. Linking Products or Institutions to Facilitate Movement from Informal to Formal Financial Services

FSP partners recognized that the financial services needs of rural youth evolved over time, as youth increased in age and experience. However, explicit efforts among different organizations to facilitate movement from savings to credit, or from informal to formal financial services were difficult. The challenges of sharing information, aligning roles, and negotiating partnerships means that linkage efforts will be hard to achieve between disparate organizations unless a strong business incentive exists to make them successful, such as can be found in tri-partite agreements. Alternatively, promise was demonstrated by vertically integrated models where a single full-service institution can progress youth through more complex services as their demands evolve.

4. Using Technology to Lower Costs and Provide Youth with Alternative Forms of Finance

Considering the higher costs associated with rural youth financial service provision, partners attempted to leverage technology to deliver financial and non-financial services more efficiently and extend their reach. Although partners successfully improved their ability to provide financial services in rural areas through these means, technology could only support - rather than replace - face-to-face interactions in rural areas. Lower education levels and limited internet connectivity also required more traditional in-person transmission of training. Nonetheless, experience under RYEEP indicates that emerging technologies, especially those delivered via mobile phone, have promising potential to disrupt existing business practices to the benefit of rural youth.

5. Designing Innovative Approaches for Scaling Products in Rural Environments

The RYEEP experience indicated that leveraging existing infrastructure and focusing on simple products are the surest way to scale rural youth financial inclusion. The three pilots that were able to serve the largest number of rural youth were able to do so by leveraging an existing network of rural bank branches (ABB), currency exchange and money transfer agents (AMB), or NGOs (Plan Egypt). They also focused on simple youth-inclusive savings or credit products appropriate for urban or rural youth. While these services may not completely meet the complex needs of rural youth, they are a starting point from which further innovation can be launched. Yet even rural outreach and appropriate financial products struggle to attract marginalized rural youth with little or no financial resources, and building the necessary scale to ensure financial sustainability requires a broader rural strategy.

Recommendations and Areas of Further Inquiry

Based on these findings, a number of recommendations and areas of further inquiry can be proposed:

- Serving rural youth effectively will require both youth and rural adaptations. FSPs were able to penetrate rural youth markets deeply at a high cost, or shallowly at a relatively lower cost. Deepening outreach sustainably will thus require adaptations in both respects.

- Integrate YFS into rural strategies. pilot success with the delivery of rural youth financial services indicates that rural youth are a viable market. However, they are too expensive to merit a sole focus and should instead be targeted as one part of an overall rural expansion strategy.

- Different approaches for different age groups. Rural youth are a heterogenous group; each age and gender segment should be understood and targeted appropriately with differentiated savings and credit products.

- Target NFS carefully and engage partners to meet remaining needs. Pilots indicated that non-financial services can increase knowledge and change behavior when targeted carefully, but that strong partners are few and full cost recovery is difficult. In the short-term, FSPs should respond by considering the minimum amount of training necessary to achieve their goals and covering those costs through cross-subsidization and/or donor subsidies. In the longer term, a mixed strategy of public and private sector training provision should be considered to build youth foundational, financial literacy, and entrepreneurship skills.

- Subsidize start-ups. Lending to expand older (ages 25-35) rural youth's existing microenterprises is a relatively easy product that can be delivered profitably as part of an overall rural portfolio. However, helping youth to start up micro or small enterprises through savings groups or specialized loan products requires more support and often smaller loans than are economically viable for providers. In response, subsidies, guarantees, and other innovations around credit risk assessments should be considered.

- Engage new partners and innovative technologies. While the project time was too short to completely validate one partner's trade credit solution, this value chain finance approach showed great promise in the provision of credit and value-added services to rural retailers. Financing similar ventures may support rural youth financial inclusion as effectively as financial service providers themselves.

These findings can assist FSPs and rural development donors consider the best means for improving rural youth financial service access and livelihoods. The pilot programs should also continue to be monitored, as their experiences going forth will further enrich these initial findings.

Figure 7: Pathways to Achieving Rural Youth Financial Inclusion